

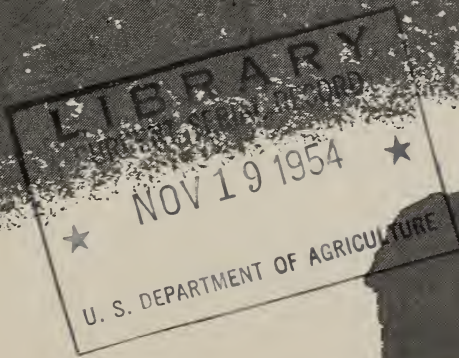
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USING YOUR

Wool Co-op



FCS Educational Circular 2

U. S. DEPARTMENT OF AGRICULTURE
F a r m e r C o o p e r a t i v e S e r v i c e

FOREWORD

FARMERS and ranchers have marketed wool cooperatively for over 75 years. There are now over 150 wool-marketing cooperatives. They range in size from small, informal local pools handling less than a carload of wool a year to State and regional associations marketing several million pounds annually. Twenty-three of the larger wool-marketing associations own the National Wool Marketing Corporation, a federated joint sales agency which markets wool from 40 States.

In recent years, about 20 to 30 percent of the annual shorn wool clip of the country has been marketed through cooperatives. Wool-marketing cooperatives have proven their worth to members who market their wool through these channels over a period of years. These associations, by fostering competition, have helped reduce marketing margins and increase returns to wool growers.

Joseph G. Knapp, Administrator

Farmer Cooperative Service,
U. S. Department of Agriculture

THE Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer's cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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Using Your Wool Co-op

By H. H. Hulbert and Walter L. Hodde,
Livestock and Wool Branch, Marketing Division

A WOOL marketing cooperative is a grower-owned and controlled organization which markets wool for its members. The members are wool growers who have chosen to market their wool cooperatively. Success of the co-op depends largely on support and loyalty of its members and the ability of its management. These members, in a "one member—one vote" democratic manner, elect directors who formulate the policies and establish aims, goals, and operating procedures of the co-op.

Your wool co-op should be an efficient marketing association that will net its members a maximum price for their wool. From the time you become interested in a wool co-op until you are participating in all its activities, there are four steps. These are as follows:

Understanding how your wool co-op operates.

Becoming a member.

Helping finance your cooperative.

Helping run and improve your cooperative.

Understanding How Your Wool Co-op Operates

Every wool co-op is set up to serve wool growers in its area, and the wool co-op operating in your community may differ widely from those in other States. Your co-op should be adaptable and capable of fitting its operations to changing conditions.

Local Pools

You may be a member of one of the more than 125 local wool pools scattered throughout the Nation. About 75 percent of these are located in farm sections east of the Missouri River. They are mostly informal associations and operate only during the wool shearing and

shipping season. They have the simplest type of organization. For example, a group of wool growers in a community decide to pool their wool and agree to bring it to some central point for sale or consignment on a certain appointed day. The group designates a sales committee of one or more men to act for them. This committee invites prospective buyers or field agents to come and inspect the wool and make their bids on the pool.

The wool in some pools is sold by sealed bids. In others it is sold by telephone. In some instances the buyer is present in person and places his bid on the day of the sale. Some pools do no grading and all the members receive the

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same price regardless of quality. Other pools grade the wool roughly before sale and thus members receive a price more in line with the quality of the wool produced. Many local pools work closely with State and regional wool-marketing cooperatives and sell or consign their wool through these channels.

Local pools use all methods of selling wool available to the individual. The advantage of such pools lies in their offering lots large enough to attract more buying competition than an individual small grower offering his own wool would create. Savings in trucking and freight costs may be worth while when producers haul for each other and assemble wool in full truckloads or carloads.

Some pools use marketing agreements or contracts with members and make a small charge for the expenses of the sales committee and the secretary. The secretary keeps the records of the pool and when the wool is sold pays each member his proportionate share of the proceeds. It is not uncommon in some States for the county agricultural agent or a local bank official to act as secretary of the local wool pool.

In some States most of the local

and county pools federate into a statewide organization. Local pools elect directors to serve on the State board. The State association has a part-time secretary who keeps records and makes arrangements for holding sales or entering into consignment agreements throughout the State. Thus during a period of 2 or 3 weeks all of the local wool pools in a wide area are either sold locally or consigned to the market.

Wool pools have been the forerunners of statewide regional wool-marketing associations. Local and county pools form the backbone of the West Virginia Wool Marketing Association, Morgantown, and the United Wool Growers Association, Harrisonburg, Va. Pools are easily organized or disbanded. Their main benefit to members has been in increasing the bargaining power of the small producer.

Regional or State Associations

Most wool growers of the Nation have access to the services of large-scale wool-marketing cooperatives. In many instances when the accumulations of local pools are not sold locally they are consigned to larger co-ops for sale. This gives the

Grading wool at a cooperative warehouse.



small grower the advantages of the large-scale operations. The main differences between such associations and the local pools are that they handle more business, function over a wider territory, and offer a more complete and well-organized marketing service.

In contrast to the local pools, which function for only a few days each year, the State and regional wool-marketing associations operate on a year-round basis. They sell members' wool over a period of months instead of offering their entire tonnage on one particular day. These associations also provide warehousing and financing services.

A grower's wool does not have to be sold immediately. It can be stored at a reasonable cost and the grower's immediate financial needs can be met by cash advances against his wool from his association. Many of the larger associations conduct supply departments for the convenience of their members.

These departments handle shearing equipment, wool bags, twine, phenothiazene, and miscellaneous sheepmen's supplies.

All State and regional wool co-operatives are grower-owned and controlled. They receive wool from producers, and handle, grade, warehouse, and sell it on a commission basis direct to manufacturers. They employ professional wool men to sell the wool and render marketing services. Most of these organizations are now well-established in their areas and handle millions of pounds of wool each year. They provide a wide variety of services as directed by their members. These associations have been a factor in increasing grower income, lowering marketing costs, and narrowing margins. They handle wool on a consignment basis. In addition, some of them, through order buying arrangements with manufacturers, move wool direct from producers to manufacturers.

Becoming a Member

Before you become a member of any wool-marketing association, you should understand its operations and history. Each wool cooperative has some advantages and some disadvantages you should understand before joining. It is usually easy to become a member by contacting a representative of the association. Once a member you should plan to maintain membership over a period of years. The co-op can do a good job for you and other members only if it has a stable volume of wool to market each year so that it can build markets for your wool and operate efficiently.

Most of the State and regional wool cooperatives have printed matter which explains their services, organization, and operations. It would be helpful for you to get and study this material. Local county agricultural agents, some wool grow-

ers, and field representatives of the co-op have useful information to help you decide whether to become a member.

If you are a producer of good wool and have not made a study of the quality, grades, shrinkages, and values of wool perhaps you can examine the operations of your local wool co-op. For you may gain through cooperative marketing over a period of years if the local pool or your State organization is being operated in a competent manner. If wool is one of your major products, you will want to investigate all outlets quite thoroughly before becoming a member. You are the one who has to make the decision. It will be to your advantage to talk to wool growers who have marketed their wool through the cooperative for a number of years, to some who have used the association only 1 or

2 years, and also to growers who have never marketed wool cooperatively.

It is also important for you to know the grade and shrinkage of your wool as well as the way buyers in your area operate. If buyers are buying on "averages" and your wool is of the shorter heavy shrinking variety, you may possibly find it to your advantage to make an outright sale to a buyer. However, if you have a desirable clip of wool, you will usually find it to your advantage to market your clip on a merit basis—generally a standard procedure with wool-marketing associations, State or regional type.

During periods of active rising markets, when the prospects are good for higher prices after the

shearing season, you may find private buyers active and eager to buy your wool. During such seasons, growers have often found it to their advantage to consign their wool for sale at a later date. That is one of the services the larger wool co-ops can give you. When the prospects indicate that the price of wool may be lower after shearing season, buyers are usually not very active. During periods of inactive, falling, or dull markets you should not expect to use the co-op as a storm cellar and then desert it as soon as the weather clears. If you expect your co-op to serve you well in such periods you must recognize it needs your continued use and support in order to build a strong, efficient organization.

Helping Finance Your Cooperative

If you expect to share the benefits which your wool association seeks to give, you must share in its support. This support may take several forms, but none is more important than your financial support. Private investors cannot be expected to put money into your association. That leaves it up to you to provide your fair share of the co-op's financial backing. A soundly financed cooperative is respected by credit agencies and inspires confidence among its members.

Financing local wool pools is usually a simple matter since little or no money is required for their operations. State and regional wool-marketing associations, however, require enough funds to make preshearing and commodity advances, to purchase and lease warehousing and other facilities, and to meet pay rolls.

Most State and regional cooperatives employ the revolving fund plan of financing. This means they obtain capital funds by savings ac-

cumulated over a period of years. These savings usually amount to a fraction of a cent per pound of wool.

The savings thus retained are allocated on the books as belonging to the growers who used the association that particular year. When in the judgment of the association's board of directors sufficient capital has been accumulated to meet all financial needs, the association may begin to revolve its capital. This is done by returning to growers by clip years the amounts which it has retained and credited to their accounts. In revolving capital, it is the common practice to repay the oldest capital retains first. In this way the financing of the association is kept in the hands of its current, active members. Most associations employ a 5- to 10-year capital revolving fund plan.

You, as a member, should expect and help your association to maintain a good sound financial condition. The savings from handling charges are your property since they



Display of original-bag wools for the buyers' inspection at a cooperative.

are in reality a part of the sales proceeds. Thus they can rightly be considered as an investment in your association. A soundly operated association, over a period of years, can usually accumulate sufficient capital so that patronage refunds can be paid back to members annu-

ally. Your investment in the association is essential to the success of the cooperative. Your financial support of your association, if it uses the retain method to accumulate capital, is best accomplished simply by marketing your wool through your co-op.

Helping Run and Improve Your Cooperative

More than a seasonal interest is required if you are to receive the full benefits of your co-op wool association. You should attend district meetings as well as annual meetings and take an active part in the discussion and in the voting that will determine policies of the organization. Remember your vote is one of the most important privileges your co-op provides. By its wise use you can help to direct the operations of the association in ways which will result in you and your fellow members receiving every possible benefit.

Your part in running the cooperative may, at first glance, appear limited to your actual patronage. Obviously, steady and continued delivery of wool to the co-op is its very lifeblood. But your job of helping to run the association ex-

tends far beyond active patronage.

One of the most effective uses you may make of the voting privilege is in helping elect capable directors. Bear in mind that every wool growing district from which the association receives its wool should be represented on the board.

Choosing directors carefully is the safest means members have of assuring the wise selection of people to fill managerial positions. Directors with the good of the association at heart will not be influenced in their selection of a manager by considerations other than his worth to the co-op and its members. While managerial ability and a knowledge of wool and wool marketing are necessarily foremost among the factors to be considered in selection, it is likewise important that the manager be a man who can

work closely and harmoniously with the directors, members, and other employees of the association. It is your obligation to keep yourself informed about the real facts concerning the association's operations, and to see that these facts are presented in a straightforward easily understood manner.

In addition to helping run your association there are other ways you can help your co-op to serve you successfully. Your co-op must handle wool in worthwhile quantities if it is to succeed. Some associations have been fairly successful even though members took only passive interest in their affairs. These same associations, in all probability, would have been much more successful in serving their members if all members had taken an active, aggressive interest in their affairs. A cooperative needs to operate as a sound business organization. However, to fulfill all its aims and goals requires a constant aggressive campaign of making improvements. It is up to you and the other members to see that your long-time interests are served.

Most State and regional wool co-ops have used various devices to keep members informed on important developments concerning wool marketing. This service has been demanded by members, who in many instances believe the education, information, and promotion work of the associations could and should be expanded and improved. You, as a member, are in a position to help develop the services of the association. If you want more information on market news, trends, statistics, methods of preparing wool for market, grades, or shrinkage you can and should expect your association to help. A number of co-ops issue publications periodically to keep their members informed about the affairs of the association and industry developments. When an association spon-

sors interesting meetings, conferences, and conventions, the members often find these of considerable help to their operations, and a good place for exchanging ideas. The best co-ops have their foundations well established at the grass roots.

One of your jobs as a co-op member is to help extend and improve your association's services as far as may be economically profitable.

Improving and expanding co-op wool marketing services has been a slow, hard, and uphill fight. Learning the hard way—through experience—is characteristic of most successful co-ops. The store of knowledge acquired through experience should be drawn upon at every opportunity to improve conditions. No one man or group of men possesses all the knowledge or has all the experience. By combining the best of knowledge and experience it is usually possible to make worth-while improvements.

No "Best" Way

To blueprint the best plans for improvement of all wool co-ops is impossible. You, the members, have to decide what services you want and how to get them. Your directors and employees must be well qualified to put the machinery

Graded wools being placed in piles at a cooperative warehouse.



into motion. It is likewise impossible for a co-op to completely satisfy all members all the time. The goal should be to render the best services most of the time for as many members as possible. The problems to overcome are many, varied, and complicated.

Most larger co-ops have been developed through the consignment system. The main disadvantage that has caused consignment to be unpopular with some wool growers is the "wait and see" factor. However, substantial advances, averaging about 75 percent of market value, may be made to the grower prior to sale. When the wool is sold the grower is paid the total sales proceeds less the amounts deducted for freight and handling charges. This system has proved a most successful method of operating over a period of years. Under this system the member ships his wool to the co-op and the co-op handles, grades, and sells the wool for members, usually directly to the manufacturers.

Some co-ops in an effort to broaden their services have developed a system of order buying. Under this program the co-op buys wool from producers for which it already has orders from mills. Order buying has the advantage of avoiding the delays in settlements sometimes experienced by consignments.

The price of wool fluctuates seasonally and sometimes radically during the course of a year. Throughout the shearing season (April through June) supplies of new wool ordinarily exert a depressing influence on the market. Wool prices frequently average less at this time than during any other season of the year. Thus on the average, over a period of years, growers can expect to gain by con-

signing their wool and selling it later rather than at shearing time.

Government price support programs have been a stabilizing influence in the domestic wool market ever since 1943. Through purchases and loans these programs put a price floor under the wool market and protected growers against unjustifiably low prices. The cooperatives along with other wool handlers act as the agents of growers in securing the benefits of these price-support programs for producers.

Many New Services

Consignors often have to wait for a period of months before receiving final payment for their wool. This causes uneasiness for some wool growers and has been a major reason why some co-ops extend their services to include order buying, sealed bid, and auction sales during and shortly after shearing season. A few of the larger wool co-ops also render a warehousing storage service for members in producing areas. In such cases the grower is free to sell his own wool at private sale whenever he chooses or he may turn it over to the co-op for sale. The long-term trend among wool co-ops has been to attract membership and tonnage by offering growers a wider choice of services.

Many changes and improvements in wool marketing have come about largely through the efforts of growers working through their cooperatives. Generally it has been the producers who have done the pioneering, assumed the risks and taken the lead in efforts to improve their returns from wool. Better preparation of wool for marketing and grading and sale of wool on a merit basis rather than by averages are among the objectives cooperatives stand for.

Some Questions on Your Wool Co-op

1. Where is your nearest wool cooperative located?

2. Is your cooperative a local pool, a statewide organization, or a regional comprising several States? Does the organization have sales outlets in all the principal consuming centers?

3. How long has the cooperative been in operation? How many members does it have?

4. Is the wool-growing area in which you operate well represented on the board of directors? Are board members wool growers, or other businessmen?

5. How is membership in the cooperative acquired? What services are offered by the cooperative to attract members?

6. How is the cooperative fi-

nanced? Are partial payments or advances available to shippers until wool is graded and sold? Do members contribute in any way to the financial structure?

7. What services are rendered by the wool cooperative to growers in your community? Are there educational services as well as selling services?

8. How is the bulk of the wool in your community sold? Are there any grower-controlled plans of selling? What percentage of the wool in your community goes to the cooperative?

9. From what source do you receive your wool market information? How is this information used?

10. What services, selling or otherwise, do you think your local wool cooperative should render?

Selected Publications on Wool Marketing

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"You and Your Co-op" Series

OTHER circulars in this series, describing the personal relationship between you and your cooperative, are available from the Farmer Cooperative Service, Washington, D. C. The series includes:

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| E-7 Using Your Livestock Co-op. | E-19 Forming Farmers' Cooperatives. |
| E-8 Using Your Co-op Elevator. | E-20 Financing Farmers' Cooperatives. |
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| E-12 Using Your Fruit and Vegetable Co-op. | E-25 Using a Local Cooperative as Source Material for Teaching. |
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| E-15 Insuring Through Your Farmers' Mutual. | |
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